Saskatchewan
Finance

Annual Report 2005

Saskatchewan Power Corporation Pre-1996 Severance Plan

TABLE OF CONTENTS

Letters of Transmittal 2
Introduction 4
Participants 4
Benefits 4
Management's Report 5
Financial Statements
- Auditor's Report 8
- Statement of Net Assets Available for Benefits and Accrued Benefits Obligation and Surplus 9
- Statement of Changes in Net Assets Available for Benefits 10
- Statement of Changes in Accrued Benefits Obligation 11
- Notes to the Financial Statements 12

Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the Annual Report of the Saskatchewan Power Corporation Pre-1996 Severance Plan for the year ending December 31, 2005.

I have the honour to be, Madam,

Your obedient servant,

Andrew Thomson
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

The Honourable Andrew Thomson
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Power Corporation Pre-1996 Severance Plan for the year ending December 31, 2005.

Respectfully submitted,

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Saskatchewan Power Corporation
Pre-1996 Severance Plan

Introduction

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Pre-1996 Severance Plan (the Plan) on January 1, 1996 for the purpose of providing severance benefits under this Plan to SaskPower employees that were employed prior to January 1, 1996 (the Participants).

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

SaskPower was the administrator of the Plan from January 1, 1996 to December 31, 2003. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

Participants

The Plan consists of both International Brotherhood of Electrical Workers (IBEW) and Management employees who were employed by SaskPower prior to January 1, 1996. As of September 30, 2005, there were 877 (2004 – 911) IBEW employees in the Plan and 375 (2004 – 389) Management employees who were eligible to receive benefits from the Plan.

Benefits

The severance benefit payable on retirement, termination or death for all Participants is based on the number of years of company service prior to January 1, 1996. Each Participant receives 5 days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day. The cost of severance benefits is determined using the projected benefit method prorated on service.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, the Corporation on behalf of the Plan may pay a Participant's severance benefits in a lump sum. However, in no circumstances shall superannuation benefits under this Plan be paid over a period exceeding 5 years.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Power Corporation Pre-1996 Severance Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Saskatchewan Power Corporation Pre-1996 Severance Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

We enclose the financial statements of the Saskatchewan Power Corporation Pre-1996 Severance Plan for the year ended December 31, 2005 and the Provincial Auditor's report on these financial statements.

Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
March 21, 2006

SASKATCHEWAN POWER CORPORATION
PRE-1996 SEVERANCE PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2005

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits and accrued benefits obligation and surplus of the Saskatchewan Power Corporation Pre-1996 Severance Plan as at December 31, 2005 and the statement of changes in net assets available for benefits and the statement of changes in accrued benefits obligation for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits obligation and surplus of the Plan as at December 31, 2005 and the changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
March 21, 2006

Fred Wendel, CMA, CA
Provincial Auditor

SASKATCHEWAN POWER CORPORATION **STATEMENT 1**
PRE-1996 SEVERANCE PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS OBLIGATION AND SURPLUS

AS AT DECEMBER 31

(in thousands)

	2005	2004 (Restated - Note 3)
ASSETS		
SaskPower contribution receivable (Note 4)	$ 21,797	$ 23,182
Total assets	21,797	23,182
NET ASSETS AVAILABLE FOR BENEFITS	21,797	23,182
Accrued benefits obligation (Note 4)	21,797	23,182
SURPLUS	$ ---	$ ---

(See accompanying notes to the financial statements)

SASKATCHEWAN POWER CORPORATION **STATEMENT 2**
PRE-1996 SEVERANCE PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31

(in thousands)

	2005	2004 (Restated - Note 3)
INCREASE IN ASSETS		
SaskPower contribution receivable (Note 4)	$ ---	$ 2,738
Total increase in assets	---	2,738
DECREASE IN ASSETS		
SaskPower contribution receivable (Note 4)	47	---
Employee termination benefits	1,338	829
Total decrease in assets	1,385	829
(Decrease) increase in net assets	(1,385)	1,909
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	23,182	21,273
NET ASSETS AVAILABLE FOR BENEFITS, end of the year	$ 21,797	$ 23,182

(See accompanying notes to the financial statements)

SASKATCHEWAN POWER CORPORATION **STATEMENT 3**
PRE-1996 SEVERANCE PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS OBLIGATION

YEAR ENDED DECEMBER 31

(in thousands)

	2005	2004 (Restated - Note 3)
INCREASE IN ACCRUED BENEFITS OBLIGATION		
Interest on accrued benefits obligation	$ 1,013	$ 1,304
Change in discount rate	317	2,345
Total increase in accrued benefits obligation	1,330	3,649
DECREASE IN ACCRUED BENEFITS OBLIGATION		
Employee termination benefits	1,338	829
Actuarial gains	1,377	911
Total decrease in accrued benefits obligation	2,715	1,740
Net (decrease) increase in accrued benefits obligation	(1,385)	1,909
ACCRUED BENEFITS OBLIGATION, beginning of the year	23,182	21,273
ACCRUED BENEFITS OBLIGATION, end of the year	$ 21,797	$ 23,182

(See accompanying notes to the financial statements)

SASKATCHEWAN POWER CORPORATION
PRE-1996 SEVERANCE PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

1. Description of the Plan

The Saskatchewan Power Corporation (SaskPower; the Corporation) established the SaskPower Pre-1996 Severance Plan (the Plan) on January 1, 1996 for the purpose of providing severance benefits under this Plan to SaskPower employees that were employed prior to January 1, 1996 (the Participants).

The Plan is not registered as a pension plan under the *Income Tax Act (Canada)*. The Corporation has not established a trust nor does it hold property for the specific purpose of providing benefits to the Participants. Benefits are funded out of current operations of the Corporation.

SaskPower was the administrator of the Plan from January 1, 1996 to December 31, 2003. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Participants

The Plan consists of both International Brotherhood of Electrical Workers (IBEW) and Management employees who were employed by SaskPower prior to January 1, 1996.

As of September 30, 2005, there were 877 (2004 – 911) IBEW employees and 375 (2004 – 389) Management employees who were eligible to receive benefits from the Plan.

Benefits

The severance benefit payable on retirement, termination or death for all Participants is based on the number of years of company service prior to January 1, 1996. Each Participant receives 5 days per year of service at their hourly rate of pay in effect at retirement, termination or death based on the number of hours worked per day.

Upon termination of active service, Participants elect how severance benefits are to be paid. In the event of termination of service, the Corporation, on behalf of the Plan, may pay a Participant's severance benefits in a lump sum. However, in no circumstances shall benefits under this Plan be paid over a period exceeding 5 years.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

The accrued benefits obligation and cost of severance benefits are determined using the projected benefit method pro rated on service.

3. Restatement (in thousands)

In 2005, it was determined that the value of the accrued benefit obligation had been understated in 2004 and prior periods as a result of a data error that failed to include 49 participants in the calculation of the accrued benefit obligation.

SaskPower has corrected this error retroactively with restatement of prior years. As such, the Plan's opening accrued benefit obligation and net assets available for benefits for 2004 increased by $2,136, closing accrued benefit obligation and nets assets available for benefits increased by $2,175, 2004 interest on accrued benefit obligation increased by $134 and 2004 actuarial gains increased by $95.

4. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SaskPower and will be funded by SaskPower as participants begin receiving their benefits. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SaskPower's management. Actuarial gains (losses) result from actual experience differing from that expected and are recognized as an increase or decrease in accrued benefit obligations in the statement of changes in accrued benefits obligation.

An actuarial valuation was performed by Aon Consulting Inc. (Aon) as at September 30th for both 2004 and 2005 to determine the actuarial present value of the accrued benefits obligation and was extrapolated by Aon to December.31st of each year.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefits obligation at December 31 are:

	2005	2004
Discount rate, beginning of year	**4.50%**	6.25%
Discount rate, end of year	**4.25%**	4.50%
Promotional Earnings Increases (Management)	**1.40%**	1.40%
Promotional Earnings Increases (IBEW)	**0.70%**	0.70%
Termination Rate	**0.90%**	0.90%
Long-term rate of compensation increases	**3.50%**	4.00%
Remaining service life (years)	**9.80**	10.50

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

If the discount rate was increased by 1%, the impact would be a 6% decrease to the accrued benefits obligation at December 31, 2005. Conversely, if the long-term rate of compensation was increased by 1%, the impact would be a 6% increase to the accrued benefits obligation at December 31, 2005.

5. Related Parties

SaskPower and PEBA are related by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SaskPower at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by SaskPower.